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MOTOR CARRIERS

Analysis of Estimated Costs to Establish A Motor Carrier Administration

GAO/RCED-86-211BR

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

August 8, 1986

B-223512

The Honorable Paul S. Trible, Jr.
The Honorable Ernest F. Hollings
United States Senate

In your joint December 11, 1985, letter, as modified in subsequent discussions with your offices, you asked us to analyze the cost impact of S. 1710, a bill to establish a motor carrier administration within the Department of Transportation. As agreed with your offices, our analysis was limited to examining the Department's May 15, 1986, cost estimate for a hypothetical motor carrier administration. Also, as requested, we identified and provided summary information on readily identifiable motor carrier activities within the Department that were excluded from the hypothetical organization. We briefed your offices on July 10, 1986, on the results of our analysis and, as requested, have summarized the information presented at that time in this briefing report.

S. 1710 is one of several legislative proposals to create a central focal point where the concerns of the commercial truck and bus industries can be addressed. It would transfer to the new administration the functions currently administered by the Associate Administrator for Motor Carriers, located within the Department's Federal Highway Administration (FHWA), as well as other federal government activities that affect transportation by motor carriers. The bill envisions a motor carrier administration that would provide comprehensive research, planning, and programming relative to transportation policy, technological development, and transportation safety.

In commenting on similar bills, the Department stated its opposition to the creation of a new motor carrier administration. The Department stated that the Associate Administrator for Motor Carriers already provides for enhanced visibility for motor carrier concerns as well as policy guidance and support for the Department's truck safety function. On the basis of its cost estimate for a hypothetical motor carrier administration, which showed a first-year cost of approximately $3.1 million and $2.5 million per year, thereafter, the Department stated that creating a new administration would be an expensive and inefficient means of addressing its responsibilities for motor carriers.

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We are not taking any position on the advisibility of establishing a motor carrier administration. However, we agree that separating the motor carrier program into a free-standing administration would increase costs, as it would require additional personnel to assume executive direction and general administrative functions that are currently provided by FHWA. Based on the assumptions made in the Department's estimate, our analysis shows total new recurring costs associated with a hypothetical motor carrier administration of about $2.4 million.

Although our analysis of the total recurring costs is about the same as the Department's estimate, we differ significantly in the location of the new positions responsible for the increased costs. Whereas the Department's estimate includes 34 new positions (16 in headquarters and 18 in regional offices), our analysis includes 30 new positions, all in headquarters. Among other reasons, we differ with the Department because the Department's estimate provides new regional positions even though there would be no increase in regional workload, and does not provide new headquarters positions even though there would be newly created headquarters responsibilities. Our analysis of the Department's estimate of recurring costs is contained in section 2 of this briefing report.

We also found that the Department's estimate of $573,000 to provide for one-time startup costs was overstated by $112,725 for recurring rent costs because these costs also appear elsewhere in the cost estimate. Our analysis of the Department's estimate of one-time costs is contained in section 3 of this briefing report.

As a working assumption that was not intended to constrain its policy-level review, the Department's hypothetical motor carrier administration would include only those program resources currently assigned to the office of the Associate Administrator for Motor Carriers. The Department stated that additional analysis might determine that more or fewer functions should be considered for transfer. Section 4 of this report contains information on additional motor carrier activities in other organizations within the Department that we were able to readily identify.

To analyze the Department's cost estimate, we examined prior departmental consolidation studies, budget estimates, personnel rosters, and organizational and functional statements, and interviewed officials of various highway safety programs. We discussed the results of our analysis with Department officials and incorporated their comments where appropriate. As agreed with your offices, we did not obtain official agency comments on a draft of this report.

As agreed with your offices, we plan no further distribution of this briefing report until 7 days from the date of this letter, unless you publicly announce its contents earlier. At that time we will provide copies to the Secretary of Transportation and make copies available to others upon request. If you have any further questions on these matters, please contact me at 275-7783.

Herbert R. McLure

Herbert R. McLure
Associate Director

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ABBREVIATIONS

DOT	Department of Transportation
FHWA	Federal Highway Administration
GAO	General Accounting Office
HQ	Headquarters
NHTSA	National Highway Traffic Safety Administration
OMB	Office of Management and Budget
RSPA	Research and Special Programs Administration

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SECTION 1

BACKGROUND

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BACKGROUND

The Associate Administrator for Motor Carriers, as part of the Federal Highway Administrator's immediate office, serves as the principal advisor to the Administrator on all motor carrier safety and other truck-related matters as they relate to the Federal Highway Administration's (FHWA's) missions, programs, and objectives and serves as FHWA's principal interface with the motor carrier industry.[1]

However, there are some congressional concerns that the position of Associate Administrator for Motor Carriers has no authority to establish policy, programs, and research on all bus and trucking functions now spread throughout the Department. On September 26, 1985, two bills (S. 1710 and H.R. 3427) were introduced to establish a motor carrier administration within the Department to create a central focal point where the concerns of the commercial truck and bus industries can be addressed. They would transfer to the new administration the functions currently administered by the Associate Administrator for Motor Carriers, as well as other federal government activities that affect transportation by motor carriers. The bills envision a motor carrier administration that would provide comprehensive research, planning, and programming relative to transportation policy, technological development, and transportation safety. Also, the proposed Trucking Competition Act of 1986 (S. 2240) includes a provision to create a motor carrier administration within the Department.

In commenting on H.R. 3427 to the Chairman, House Committee on Public Works and Transportation, the Department stated its opposition to creating a new motor carrier administration. The Department stated that the Associate Administrator for Motor Carriers already provides for enhanced visibility for motor carrier concerns as well as policy guidance and support for the Department's truck safety function. The Department stated that the cost of separating the motor carrier related programs into a free-standing administration had been estimated to be about $2.6 million per year and would require new employees to assume administrative functions that are currently provided by FHWA.

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[1]The Associate Administrator position was established in March 1985. We testified on certain aspects of motor carrier safety enforcement activities and the organization of the Federal Highway Administration's Bureau of Motor Carrier Safety. See April 18, 1985, statement on "GAO Review of the Federal Highway Administration's Motor Carrier Safety Enforcement Activities." We also issued a report, entitled Stronger Enforcement Would Help Improve Motor Carrier Safety (GAO/RCED-85-64, Sept. 5, 1985).

On February 20, 1986, the President and Chief Executive Officer of the American Trucking Associations, Inc., requested the Department to provide details of the estimated increased costs. On May 15, 1986, the Department's General Counsel provided the requested information. The Department's cost estimate was based on a number of assumptions for structuring a hypothetical administration, as discussed in section 5.

The hypothetical organization structure is shown as staffed with 508 positions that would be withdrawn from FHWA (including 437 positions from the Associate Administrator for Motor Carriers) and 34 "new positions." The net increase in the Department's budget would be related largely to the number of new positions.

SECTION 2

ESTIMATED INCREASED RECURRING COSTS

Table 2.1

Analysis of Total New Recurring Costs

By type of expenditure	DOT estimate	GAO analysis
Salaries for new staffing	$1,586,000	$1,415,089
Benefits at 35.75 percent	566,995	505,894
Overhead (rent, utilities) HQ	267,021	500,665
Overhead (rent, utilities) regions	121,643	0
Total	$2,541,659	$2,421,648

	Cost		New positions	
By function	DOT estimate	GAO analysis	DOT estimate	GAO analysis
Headquarters:				
Executive direction	$953,678	$1,568,080	12	20
General administration	0	779,332	0	10
Safety program	366,763	0	4	0
Regions:				
Safety program	1,221,218	74,236	18	0
Total	$2,541,659	$2,421,648	34	30

TOTAL NEW RECURRING COSTS

The Department's cost estimate for a hypothetical motor carrier administration showed annual recurring costs of about $2.5 million to fund 34 new positions. To estimate total operating expenses, the Department based its estimate of salary costs on comparable positions in other departmental administrations. To this amount, the Department applied the Office of Management and Budget (OMB) Circular No. A-76 factor of 35.75 percent to cover retirement, health and life insurance, medicare, and other fringe benefit costs. The Department also applied an overhead factor to each new position to cover rent, utilities, and other support services. Our analysis showed that the methods used by the Department to estimate individual salary, benefit, and overhead costs for new positions were reasonable.

On the basis of our analysis, we believe that the total new recurring costs would be about $2.4 million. Although our analysis of the total recurring costs is about the same as the Department's estimate, we differed significantly in the location of the new positions responsible for the increased costs. Whereas the Department's estimate included 16 headquarters (HQ) and 18 regional office new positions, our analysis included 30 new positions, all in headquarters. Table 2.1 summarizes and tables 2.2 through 2.5 detail the differences between the Department's estimate and our analysis.

Table 2.2

Analysis of New Executive Direction Costs

Operating expenses	DOT estimate	GAO analysis
Salaries for new staffing	$555,000	$909,247
Benefits at 35.75 percent	198,412	325,056
Overhead (rent, utilities) HQ	200,266	333,777
Total	$953,678	$1,568,080
Number of new positions HQ	12	20

NEW EXECUTIVE DIRECTION COSTS

The Department's cost estimate for a hypothetical motor carrier administration included 12 new positions to supplement 21 executive direction positions to be withdrawn from FHWA. The executive direction offices in the Department's hypothetical motor carrier administration include Administrator, Deputy Administrator, Civil Rights, Public Affairs, Chief Counsel, Budget, and Policy.

Our analysis disclosed that FHWA currently provides all necessary executive direction functions for the Associate Administrator for Motor Carriers. If a separate motor carrier administration were established, FHWA would have to support fewer staff. The 21 positions to be withdrawn from FHWA included in the Department's cost estimate reflect this reduced workload. Based on our analysis of executive direction positions in FHWA and NHTSA, 21 appeared to be the minimum number of positions required to staff an organization of this size.

However, heads of the executive direction offices, their division chiefs, and related secretarial positions would not be available as FHWA would continue to require those positions to support its remaining highway functions. We identified 20 new positions (10 office and division chiefs and 10 secretaries) that would be needed for executive direction. The Department's estimate includes 12 new positions. On the basis of our analysis, we believe that eight new positions would be needed for the Office of Civil Rights, two divisions within the Office of the Chief Counsel, and a policy division within the Office of Policy and Budget--which were not included in the Department's cost estimate. The eight positions include one office chief, three division chiefs, and four secretaries.

Table 2.3

Analysis of New General Administration Costs

Operating expenses	DOT estimate	GAO analysis
Salaries for new staffing	$ 0	$451,156
Benefits at 35.75 percent	0	161,288
Overhead (rent, utilities) HQ	0	166,888
Total	$ 0	$779,332
Number of new positions HQ	0	10

NEW GENERAL ADMINISTRATION COSTS

The Department's cost estimate for a hypothetical motor carrier administration did not include any new positions to supplement 29 general administration positions to be withdrawn from FHWA. The general administration positions in the Department's hypothetical motor carrier administration perform personnel, procurement, data processing, and accounting functions.

Our analysis disclosed that FHWA currently provides all necessary general administration functions for the Associate Administrator for Motor Carriers. If a separate motor carrier administration were established, FHWA would have to support fewer staff. The 29 positions to be withdrawn from FHWA included in the Department's cost estimate reflect this reduced workload. Based on our analysis of the general administration positions in FHWA and the National Highway Traffic Safety Administration (NHTSA), 29 appears to be the minimum number of positions required to perform administrative functions for an organization of this size.

The head of the general administration office, his/her office chiefs, and related secretarial positions would not be available as FHWA would continue to require those positions to support its remaining highway functions. However, the Department's cost estimate does not provide new positions for these offices because it proposes to fill these positions with existing lower-graded staff. This would be inconsistent with the Department's assumption that office directors and their secretaries associated with the new organization would have grades comparable to other departmental organizations.

However, to be consistent with the Department's assumptions, our analysis used the grade structures at other highway safety administrations (FHWA and NHTSA) within the Department. Thus, we identified 10 new positions (five office chiefs and five secretaries) required for offices of the Associate Administrator for Administration, Personnel and Training, Fiscal Services, Management Systems, and Contracts and Procurement. However, to make an allowance for the small size of the hypothetical motor carrier administration, our analysis did not provide for division chief positions (below the level of office directors) which are included in offices of both the FHWA and NHTSA Associate Administrator for Administration.

Table 2.4

Analysis of New Headquarters

Safety Program Costs

Operating expenses	DOT estimate	GAO analysis
Salaries for new staffing	$221,000	$ 0
Benefits at 35.75 percent	79,008	0
Overhead (rent, utilities) HQ	66,755	0
Total	$366,763	0
Number of new positions HQ	4	0

NEW SAFETY PROGRAM POSITIONS IN HEADQUARTERS

The Department's cost estimate adds four new positions (three GS-15 positions and one secretarial) in headquarters. However, our analysis disclosed that positions were already in existence. The present Associate Administrator for Motor Carriers already has six GS-15 positions and related secretarial support positions in headquarters. Three GS-15 positions were filled at the time the Department prepared its cost estimate and two more have been filled since then. According to the management analyst in the Department's Office of Management Planning who prepared the estimate, unfilled positions were not considered. Since sufficient positions (filled and unfilled) were available, our analysis does not add any new positions.

Table 2.5

Analysis of New Regional

Office Safety Program Costs

Operating expenses	DOT estimate	GAO analysis
Salaries for new staffing	$810,000	$54,686
Benefits at 35.75 percent	289,575	19,550
Overhead (rent, utilities) regions	121,643	0
Total	$1,221,218	$74,236
Number of new positions regions	18	0

NEW SAFETY PROGRAM POSITIONS
IN THE REGIONAL OFFICES

The Department's cost estimate proposes the addition of 18 new positions in the regional offices. These positions consist of the addition of a regional administrator and a secretary in each of the nine regional offices. The Department's cost estimate also proposes to retain all the existing regional office positions.

Our analysis disclosed that the present organizational structure of each of the nine regional offices is a GS-14 director who supervises a staff of two safety specialists and a secretary. To this staff the Department's cost estimate would add a GS-15 regional administrator and a GS-7 secretary. The study assumes the regional administrator position should be upgraded because other administrators within the Department have such grade structures. However, although the workload in the regions would not change, the Department's cost estimate does not delete the positions and costs associated with the present regional administrators, that is, the GS-14 regional administrator position and the GS-6 secretarial position.

Since the regional office's functions and workload would not change, our analysis upgrades existing positions but does not add any new positions. We estimate that it would cost $74,236 to upgrade the nine current regional administrator positions from GS-14 to GS-15 and the nine secretarial positions from GS-6 to GS-7.

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SECTION 3

ESTIMATED ONE-TIME STARTUP COSTS

Table 3.1

Analysis of Total New One-Time Costs

Capital expenses	DOT estimate	GAO analysis
Administrator's suite	$200,000	$132,365
Associate Administrators' offices	73,000	27,910
Renovation of space	300,000	300,000
Total	$573,000	$460,275

ANALYSIS OF OFFICE RENT INCLUDED IN STARTUP COSTS

The Department's cost estimate included $573,000 to provide for one-time startup costs. As agreed with the requesters' offices, due to time limitations, we did not examine this estimate in detail. However, we noted that the estimate is overstated by $112,725 because this cost is also included in another part of the Department's cost estimate.

The Department estimated one-time costs of $273,000 to renovate and furnish offices for the new Administrator and Associate Administrators and provide for their office rent costs. Included in these one-time costs, the Department estimated $112,725 for office rent, which was also included in overhead calculations for annual recurring costs. Therefore, one-time startup costs appear overstated by this amount. The management analyst in the Department's Office of Management Planning who prepared the estimates agreed that these costs should not have been included as startup costs because they are recurring and are also provided for in the Department's estimates as part of operating costs.

An additional $300,000 would be used to renovate office space for the headquarters and regional office staffs. No new costs are included for field staff in the state offices because these offices are not affected by this reorganization.

In addition to the one-time costs associated with establishing any new administration, we previously reported[2] that startup problems can distract agency officials from concentrating on their new missions during the critical first year of operations. In the review of planned reorganizations involving six agencies, we found that such problems can include delays in obtaining key officials, inadequate staffing, insufficient funding, inadequate office space, and difficulties in establishing support functions such as accounting systems. Solving these startup problems can distract agency officials from concentrating on their new missions.

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[2]Implementation: The Missing Link In Planning Reorganizations (GGD-81-57, Mar. 20, 1981). None of the planned reorganizations that we reviewed included the Department of Transportation.

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SECTION 4

ADDITIONAL MOTOR CARRIER-RELATED ACTIVITIES WITHIN THE DEPARTMENT OF TRANSPORTATION

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ADDITIONAL MOTOR CARRIER-RELATED ACTIVITIES

The hypothetical motor carrier administration in the Department's cost estimate does not include program resources outside the current Associate Administrator for Motor Carriers organization, although the Department recognizes that there may be truck-related functions elsewhere in FHWA and in other administrations such as the Research and Special Programs Administration (RSPA) and NHTSA. As a working assumption that is not intended to constrain its policy-level review, the Department's hypothetical model transfers functions currently performed by the staff of the Associate Administrator for Motor Carriers. The Department said that its analysis might determine that more or fewer functions should be considered for transfer.

As requested, we discuss in this section readily identifiable motor carrier related activities in other organizations based on our review of the Department's budget and organizational materials and discussions with Department staff. In some cases we found all of a unit's time was spent on motor carrier-related matters and in other cases motor carriers were one part of a unit's responsibilities. Many of the Department's responsibilities are carried out by administrations that focus on a specific transportation mode, such as the Federal Aviation Administration. However, because of the Department's overall responsibility for transportation, the Office of Secretary and certain other units could be expected to continue to have a multi-modal focus.

FHWA

Within the Office of Safety and Traffic Operations Research and Development under the Associate Administrator for Research, Development, and Technology, we identified a large truck safety research group. As of July 1986, this group consisted of two professional staffers. According to a staff member, this group's research is oriented toward designing highways that can safely accommodate trucks and heavy vehicles; it averages about $500,000 per year on contract research expenditures.

In addition, the Office of Policy Development within the Associate Administrator for Policy has a Transportation Studies Division. According to the FHWA organization manual, this division's mission is to develop, implement, and coordinate FHWA's system of policy formulation, which includes studies of such motor carrier issues as the effect of pricing policies, vehicle size and weight legislation, and financing and tax incentives on highway systems. As of March 1986, this division had 17 professional staff and 2 secretaries. Based on the available information, we could not estimate the extent that this division's workload involves motor carrier issues as opposed to other FHWA policy matters.

NHTSA

NHTSA's mission is to improve highway safety and it performs research in this area. Concerning motor carriers, NHTSA has a Heavy Vehicle Research Division in the Office of Crash Avoidance Research, under the Associate Administrator for Research and Development, which considers the safety aspects associated with truck performance. As of July 1986, this division had three professional staffers with a contract research budget of about $350,000. According to NHTSA officials, this division is also supported by three or four staffers in NHTSA's Vehicle Research and Test Center in Ohio.

NHTSA also collects data on truck and bus safety as part of its data base for motor vehicle research. The cost of collecting truck and bus data is not separately recorded.

RSPA

RSPA's Office of Hazardous Materials Transportation is responsible for issuing standards for the safe transportation of hazardous materials. This office is a cross-modal activity which provides the focal point for coordinating and controlling domestic and international shipments of hazardous materials by water, air, highway, and railroad. In fiscal year 1986, this office had budget authority for 65 staff and research and development funding totaling $655,000. The budget does not identify staff and budget by each mode. A RSPA official told us this information is not readily available.

According to RSPA safety statistics, highway transportation is an important factor in the area of hazardous materials transportation. For example, RSPA statistics show that 4,720 of 5,900 hazardous material incidents involved highways in fiscal year 1985.

Office of the Secretary

The Office of the Secretary has staff that become involved with motor carrier activities as part of their departmental management responsibilities. For example, staff in the Office of General Counsel, the Office of Management Planning, the Office of Economics, the Office of Transportation and Regulatory Affairs, and the Safety Review Task Force have recently participated in issues and activities involving motor carriers.

The Office of the Secretary funds research activities and studies, some of which involve motor carriers. These studies support the Secretary's responsibilities in formulating national transportation policies. For example, the House Appropriations Committee, in its report on the 1986 Department of Transportation and Related Agencies Appropriation bill (Report Number 99-256) directed the Department to perform studies to set quantitative staffing standards and workload goals for such personnel as motor carrier inspectors, rail safety inspectors, and hazardous materials inspectors.

SECTION 5

OBJECTIVES, SCOPE, AND METHODOLOGY

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OBJECTIVES, SCOPE, AND METHODOLOGY

Senators Paul S. Trible, Jr., and Ernest F. Hollings, in a joint December 11, 1985, letter, as modified in subsequent discussions with their offices, asked us to analyze the cost impact of S. 1710, a bill to establish a motor carrier administration within the Department of Transportation. As agreed with their offices, our analysis was based on the assumptions included in the Department's recent estimates for a hypothetical motor carrier administration. Also, as requested, we identified and provided summary information on readily identifiable motor carrier activities within the Department that were excluded from the hypothetical organization.

The assumptions made in preparing the cost estimate include:

--Authorized positions under the Associate Administrator for Motor Carriers included in the fiscal year 1987 budget would constitute the basic staff resources of a motor carrier administration.

--Program resources outside the office of the Associate Administrator for Motor Carriers would not be considered, although there may be truck-related functions in other organizations within the Department.

--Administrative support to be withdrawn from FHWA and funded in the new administration will be based on prior estimates developed from the proposal to merge motor carrier safety functions with NHTSA.

--Present departmental organizations, grade structures, and staffing patterns would form the basis for organization for motor carrier safety.

--Office directors and their secretaries associated with the new organization would not be taken from the present workforce, except where grades to support new positions are already available.

--Personnel benefits are calculated at 35.75 percent of salaries as per Office of Management and Budget Circular No. A-76, revised.

--Costs for overhead, such as rent and utilities, would remain the same for staff under the Associate Administrator for Motor Carriers, whether in FHWA or in a motor carrier administration.

--NHTSA's overhead costs will be used to estimate these costs for new personnel who are not available from FHWA's present workforce for the hypothetical motor carrier administration, because of the similarity of programs and staffing structures.

Using these assumptions as criteria, we analyzed the Department's estimated total new recurring costs associated with a hypothetical motor carrier administration included in a May 15, 1986, letter from the Department's General Counsel to the President of the American Trucking Associations, Inc. In our analysis, we

--examined back-up material related to the Department's 1984 proposal to merge motor carrier safety functions with NHTSA,

--compared the number of authorized 1984 motor carrier safety positions in FHWA with the number of authorized positions included in FHWA's 1987 budget,

--examined FHWA and NHTSA personnel listings to determine existing grade structures and staffing patterns for executive direction, general administration, and program positions,

--examined budget justifications for fiscal year 1978 (the year when NHTSA was authorized the highest number of positions) and compared the ratio of administrative positions to program positions for that year and fiscal years 1986 and 1987. (As agreed with the requesters' offices, we used NHTSA as a basis of comparison because (1) it is about the same size as the proposed motor carrier administration, (2) its functions also relate to vehicles, and (3) it has both headquarters and regional staff.),

--computed the present personnel costs of NHTSA and FHWA administrative positions and compared them to the Department's cost estimates for a hypothetical motor carrier administration,

--examined OMB Circular No. A-76 to verify what cost factors make up personnel benefits,

--examined fiscal years 1986 and 1987 budget justifications for FHWA to determine the extent of overhead costs in FHWA,

--examined fiscal years 1986 and 1987 budget justifications for NHTSA and compared overhead costs with FHWA costs to determine if they are similar when considering cost per person, and

--examined NHTSA overhead cost data used by the Department in its study and determined if it is representative of FHWA and NHTSA budget justification data.

For the Department's estimated one-time startup costs, we limited our analysis to an examination of the supporting worksheets of the Department's management analyst who prepared the estimates. We did not verify the accuracy of the cost estimates.

In regard to the motor carrier activities within the Department which were excluded from the hypothetical motor carrier administration, we

--compared the S. 1710 contemplated organization chart and outline of the responsibilities of the various offices within the proposed motor carrier administration to the organization and functions of the existing Associate Administrator for Motor Carriers,

--examined FHWA, NHTSA, RSPA, and Office of the Secretary of Transportation fiscal years 1986 and 1987 budget justifications and identified the number of personnel and contract costs for truck-related functions, and

--discussed truck-related functions with responsible agency officials and obtained more specific information on the scope of these activities.

We limited our analysis to readily identifiable motor carrier activities within the Department, and did not attempt to determine the appropriateness of including all truck-related activities in the hypothetical motor carrier administration.

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